

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

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PLR-132762-14

Date:

February 24, 2015

TY:

Legend

Distributing =

Controlled =

Business A =

Business B =

State A =

Date A =

Date B =

Date C =

Date D =

Business A Assets =

a =

b =

c =

d =

e =

Dear :

This letter responds to your authorized representative's letter dated August 29, 2014, and subsequent correspondence, requesting rulings regarding certain federal income tax consequences of a transaction ("Transaction"). The information submitted in that request and in later correspondence is summarized below.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2015-1, 2015-1 I.R.B. 1, regarding one of more significant issues under sections 332, 351, 355, 368, or 1036. The rulings contained in this letter only address one or more discrete legal issues involved in the transaction. This Office expresses no opinion as to the overall tax consequences of the transactions described in this letter or as to any issue not specifically addressed by the rulings below. The rulings contained in this letter are based upon facts and representations submitted by the taxpayer and accompanied by penalties of perjury statements executed by an appropriate party. This office has not verified any of the material submitted in support of the request for rulings. Verification of

the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Distributing, a publicly traded State A corporation, is the common parent of an affiliated group of corporations that files a consolidated federal income tax return. At the time of the Transaction, Distributing was directly or indirectly engaged in Business A and Business B through its domestic and foreign subsidiaries.

Transaction

Distributing entered into the Transaction to spin off Business A to its public shareholders. The relevant steps of the Transaction are set forth below:

- (i) On Date A, Distributing formed Controlled, a State A corporation.
- (ii) On Date B, Distributing paid pre-existing creditors \$a (the “Date B Payment”).
- (iii) On Date C, Controlled borrowed approximately \$b from unrelated third-party lenders.
- (iv) Distributing transferred the Business A Assets to Controlled in exchange for Controlled common stock, \$c of the \$b borrowed in step (iii) (the “Special Distribution”), and the assumption of certain liabilities (together, the “Contribution”). The Special Distribution occurred on Date D.
- (v) Distributing made additional payments to creditors in the amount of \$d.
- (vi) Distributing distributed all of the stock of Controlled to its shareholders pro rata (“Distribution”).
- (vii) Distributing will: (i) distribute the Special Distribution to its shareholders (through quarterly dividends, redemptions pursuant to existing stock repurchase plans, or otherwise), and/or (ii) transfer the Special Distribution to creditors within e months of the Distribution.

In connection with the Distribution, Distributing and Controlled entered into certain agreements (collectively, known as the “Agreements”). The Agreements include (i) the separation and distribution agreement, (ii) a tax matters agreement, (iii) an employee matters agreement, and (iv) an intellectual property agreement, each of which requires one party to indemnify the other for certain pre-Distribution liabilities (the indemnification provisions of each are referred to as the “Contingent Liability Arrangements”). In addition, the Agreements include some commercial agreements for each party to supply the other with goods and services on an arm's length basis.

Representations

- (a) The Date B Payment by Distributing was made pursuant to the plan of reorganization that includes the Contribution and Distribution.
- (b) Within e months of the Distribution, Distributing will use the Special Distribution proceeds to (i) make quarterly dividends, (ii) repurchase shares of its stock, or (iii) repay Distributing indebtedness.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows:

- (1) Provided the Date B Payment otherwise qualified as a distribution in pursuance of the plan of reorganization within the meaning of sections 361(b)(1)(A) and 361(b)(3), the fact that the Date B Payment was made prior to the Special Distribution will not preclude it from being considered a payment to creditors within the meaning of section 361(b)(3).
- (2) Provided that the Contribution and Distribution meet the requirements of sections 368(a)(1)(D) and 355, the use of the Special Distribution in the manner described in Step (vii) above within e months of the date of the Distribution will be treated as a distribution in pursuance of the plan of reorganization within the meaning of section 361(b).
- (3) Amounts transferred pursuant to the Contingent Liability Arrangements that (i) have arisen or will arise for a taxable period ending on or before the Distribution or for a taxable period beginning before and ending after the Distribution, and (ii) will not become fixed and ascertainable until after the Distribution, will be treated as adjustments to amounts contributed by Distributing to Controlled or distributed by Controlled to Distributing immediately before the Distribution (Arrowsmith v. Commissioner, 344 U.S. 6 (1952); Rev. Rul. 83-73, 1983-1 C.B. 84).

Caveats

No opinion is expressed or implied about the federal income tax consequences of any other aspect of any transaction or item discussed or referenced in this letter, or the federal income tax treatment of any conditions existing at the time of, or effects resulting from, the Transaction that are not specifically covered by the above rulings.

Procedural Statements

This ruling letter is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter ruling must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the Power of Attorney on file with this office, copies of this letter ruling are being sent to your authorized representatives.

Sincerely,

Mark J. Weiss
Chief, Branch 2
Office of Associate Chief Counsel (Corporate)

cc: